

The state of footwear retail:

Service concepts and upselling



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Introduction

Footwear retailers across the world are increasingly under pressure. Through strictly enforced lockdowns, the global pandemic has rapidly changed consumer buying behavior and accelerated e-commerce. This has forced retailers to transform their business to accommodate the exponential growth in e-commerce orders.

Economic uncertainty, the ebb and flow of consumer confidence, struggle with inventory and increasing freight costs are all issues that footwear retailers are currently facing. When restrictions ease up, and society reopens, it is vital that retailers are prepared for a new reality and are ready to respond to their customers' needs.

At IMBOX, we believe it is important to understand how footwear retailers can leverage the change in consumer behavior and use their brick-and-mortar stores to strengthen their market position.

Rethinking the brick-and-mortar store

With e-commerce set to grow post-pandemic, rethinking the role of the brick-and-mortar store is even more pertinent. Creating new service concepts and strategies for upselling whilst delivering an outstanding customer experience is paramount if footwear retailers want to avoid being deemed irrelevant by their customers.

In contrast to the physical store, online stores cannot recreate the same physical connection and customer service that inspires customers to purchase more products and return to the store. Designing new ways to increase foot traffic and the in-store customer experience will be essential for future-proofing the role of the brick-and-mortar store.

Retailers not willing to take the leap will increasingly be challenged by the competition – and they risk being left behind or becoming obsolete.

This white paper aims to shed light on some of the current challenges facing footwear retailers. It also aims to provide you with inspiration for service concepts, and a new approach to increasing foot traffic to your stores.

Challenges of changing consumer behavior

Driven by the pandemic, changing consumer behavior is forcing retailers to respond quickly to their customers' needs. According to Matt Priest, President & CEO of Footwear Distributors and Retailers of America, it is evident that footwear retailers need to become more agile and flexible with their product assortment and the service concepts they offer in their brick-and-mortar stores.

Fast track:

- Changing consumer behavior is challenging footwear retailers' product assortments and casual shoes are currently high in demand.
- Retailers currently do not have enough inventory to match the increased consumer demand. They are scrambling to locate inventory and deliver it to consumers as fast as possible.
- Footwear retailers that understand how to convert their customers' needs into new service concepts and strategies for upselling will generate sales and loyal customers.

Footwear retailers are cautiously optimistic that with the vaccines being rolled out, the pandemic is nearing an end, and trade can gain a sense of normality. However, there are still major challenges to overcome for footwear retailers to reach a new sense of normality and stability in trade, as Matt Priest, President & CEO of Footwear Distributors and Retailers of America (FDRA) elaborates in this article.

Responding to consumer behavior is twofold

The change in consumer behavior has not only affected e-commerce activity, it has also changed the type of product that is in demand. With a steep incline in casual footwear driven by working from home, footwear retailers are challenged on their assortments.

– From a product point of view, consumers are more focused on buying casual footwear. If you are a retailer that is altering your assortment and have low inventory, you will have less product to offer. Getting the assortment right is a real challenge right now, says Matt Priest.

“Demand is occurring in a pendulum motion, swinging from one extreme to the next. It swung from almost no demand at the beginning of the pandemic to a relatively high demand later in 2020, particularly around holidays.”

– Matt Priest, President & CEO of Footwear Distributors and Retailers of America

The increase in casual footwear is also backed by a 2020 global survey, which identified that sneakers for daily use would increase in market share size by an estimated 59%, whereas leather shoes were estimated to decrease by over 25%.

This illustrates that the pandemic altered consumer needs and outdoor, comfort, slipper, and sports shoe brands are benefitting.

– The U.S. imports almost 100% of its shoes from overseas. If you use import figures as a barometer, you will find that casual footwear has been growing significantly since 2012, and leather shoes have plateaued, only meeting the immediate need. I cannot see how this casualization trend will change anytime soon, foresees Priest.

Lack of inventory affecting retailers

FDRA has recently surveyed over 100 footwear executives and found a disconnect between inventory levels and the current consumer demand. Ultimately, there is a lack of inventory.

– Demand is occurring in a pendulum motion, swinging from one extreme to the next. It swung from almost no demand at the beginning of the pandemic to a relatively high demand later in 2020, particularly around holidays. Retailers do not have enough inventory to match the increased demand, which means they are scrambling to locate inventory and get it to the consumer as fast as possible. All in all, a very costly operation, reveals Priest.

The ebb and flow of lockdowns have challenged footwear retailers who have tried to balance their inventory levels with the reality of the pandemic. Retailers will only buy inventory when the consumer demand is in place, and when 12 months' worth of imports are jammed into six months' worth of consumer activity, it will challenge any business.

– This has put pressure on the entire supply chain and resulted in higher costs. Container rates have skyrocketed, capacity is at an all-time low, there is very little availability, and it is difficult getting products out to consumers.

The pandemic has knocked the industry off its feet, and retailers are trying to establish a baseline of normality and regularity – and this will take some adjustment time, Priest points out.

Creating service concepts that match your customer's needs

When the pandemic eases and trade stabilizes, footwear retailers will need to focus on how to use their brick-and-mortar stores to stay relevant. New service concepts and strategies for upselling are anticipated as a way of creating even more value for their customers.

– Some Coles stores have also become an Amazon Return Center. You purchase an item on Amazon and physically return it, without charge, in a Coles store. Coles then provides you with a free coupon, which prompts the customer to spend money in Coles immediately after. This is an excellent example of creating a service concept that balances online and offline whilst delivering customer convenience, explains Priest.

A recent McKinsey & Company consumer research report found that convenience, product availability, and value for money are amongst the important factors for consumers. A different report by Narvar also emphasized the importance surrounding the availability of products, citing 56% of consumers tried a new retailer during the pandemic as a response to product unavailability.

To maintain the relevance of their brick-and-mortar stores, footwear retailers need to create new service concepts that address the customers' primary needs of availability and convenience, as well as other needs they might have that could tie into the business.

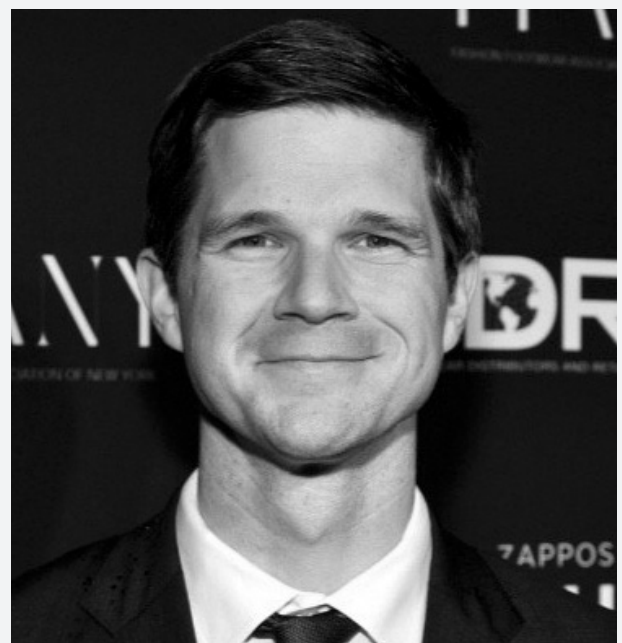
– If you understand your core customer, their needs and understand how you as a retailer can deliver on these needs, you have solved the puzzle. DSW has done exactly this with different service concepts, including an in-store nail salon, providing custom insoles in just 15 minutes, and an instore shoe repair station. They succeeded in delivering on their customers' primary and secondary needs and created value for their customers, says Priest.

Footwear retailers that utilize service concepts, which deliver on needs and create additional value for their customer will make their brick-and-mortar stores important, physical touchpoints in their customer journey.

About Matt Priest

Matt Priest is the President & CEO of the Footwear Distributors and Retailers of America (FDRA), the largest and most effective footwear association in the United States. Matt serves as the executive in charge of FDRA's daily operations, ensuring the association meets and exceeds its goal to be the footwear industry's business and trade association.

Matt has extensive experience advising the U.S. government on footwear, fiber, textiles, and apparel, and he has overseen programs and strategies to improve domestic and international competitiveness. His roles include Senior Advisor to Commerce Secretary, Carlos Gutierrez, and Deputy Assistant Secretary for Textiles and Apparel at the U.S. Department of Commerce. Matt was also Chairman of the Committee for the Implementation of Textile Agreements (CITA). He has served as an Executive in Residence at the College of Textiles and often guest lectures at the Georgetown University McDonough School of Business.





Top 3 trends in footwear retail

1/

Ease of experience

Footwear retailers will continuously focus on how they easily and seamlessly can get products to their customers. The retailers investing in digital and master the integration between their online channels and their physical store will be most successful.

2/

Service concepts and cross-functional retail offerings

Identifying your customers' needs and converting these into service concepts or cross-functional retail offerings will only continue to grow. More retailers and brands will be collaborating and, as a result, store-within-a-store concepts will undoubtedly increase.

3/

Casual footwear is here to stay

Western societies have gotten a taste of what work/life balance looks like, which means casual footwear is here to stay. From this, the need for more multi-functional shoes will continue to grow. For example, shoes you can wear to church, wear to brunch, and go hiking with.

Inspiration:

In-store service concepts

An important part of any customer experience strategy is creating in-store service concepts that help solve a customer's need, often related to the main product. Solving a customer need creates an opportunity to upsell, increase customer engagement, and strengthen customer loyalty.

Findings from inReality and Coresight Research found that 86% of shoppers are more likely to shop in stores that provide experiences and service concepts tailored to the customer's needs. Clearly highlighting the customer's need for retailers to create meaningful in-store experiences that engage, benefit the customer, and solve a need.

Here are some examples of in-store concepts that deliver high customer engagement whilst simultaneously solving a customer need:



Customization kiosk by New Balance

Foot Locker and New Balance joined forces to create a customization kiosk, in Foot Locker's Times Square store. It allows customers to design their very own pair of New Balance 574 shoes. Using a touch screen display and physical material samples, customers can design their own shoes – without any limits. The customization station will also give you a chance to share your shoe design online.

Benefits for the retailer:

Customization allows the retailer to charge a higher price premium and enables upselling.

Solves customer need:

Design a pair of shoes that fit their unique style and identity.



Perch Interactive's digital retail display

Perch is known for creating high-quality interactive displays that provide customers with an in-store sensory experience. The display showcases products interestingly and memorably. It can be customized to a retailer's specifications and customer journey touchpoints.

Benefits for the retailer:

It engages the customer in an interactive way. Through information and inspiration, the display helps upselling efforts.

Solves customer need:

Gain increased knowledge about the product and inspiration to purchase other products.



In-store footwear protection service

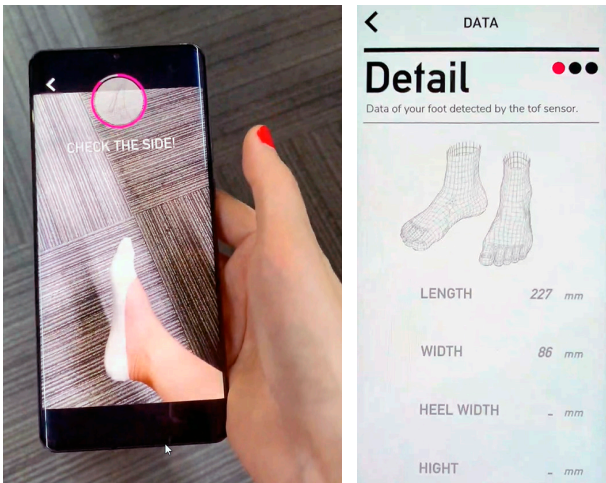
The IMBOX provides customers with safe and environmentally friendly footwear protection. The treatment takes less than a minute, and the footwear is ready to wear immediately after. The protection will help protect against stains from salt, soil, damages, color fading from UV rays, and much more.

Benefits for the retailer:

It increases the basket size, gives the customer a reason to visit the physical store and is quick and easy to use.

Solves customer need:

Protects shoes from damage and prolongs the lifetime of the shoes.



JD.COM explores AR foot measurement app

Following the trend of augmented reality (AR) try-on applications, JD.com is working with Sony Semiconductor Solutions Corporation to develop an app that uses AR technology to measure foot size. By scanning the foot's front and side angles, the solution provides a foot size and allows you to try on different shoe styles.

Benefits for the retailer:

Engaging the customer with an augmented reality experience that enables in-app product suggestions.

Solves customer need:

A unique experience that increases efficiency and convenience, allowing the customer to try on different shoe styles.



DSW's nail salon

DSW dived into its customers' needs and came up with an in-store nail salon that offers manicures, pedicures, and waxing services. This service concept has helped increase shopping carts by 60% on footwear. Salon customers buy a pair of new shoes during nearly 25% of their trips to the store.

Benefits for the retailer:

Adding a service concept to their business that solves a need in the customer, increases the likelihood of more in-store visits and more sales.

Solves customer need:

Increases convenience for the customer and delivers an exclusive branded experience.

Point-of-experience:

How to increase foot traffic and sales

The growth in e-commerce, pushed by the pandemic, has made customers more accustomed to buying products online. Consumers are no longer required to enter a physical store to complete a transaction. For brick-and-mortar retailers, moving away from being a point-of-service and becoming a point-of-experience will play an important role in the future.

Fast track:

- Consumers want their senses activated, which is why physical stores are still very relevant. This is the perfect place for retailers to create meaningful connections with their customers.
- Creating in-store experiences around three main pillars will enable retailers to increase foot traffic and generate more sales.
- Retailers must be agile and flexible with the layout and product assortment in their physical stores. Transitioning the store from a point-of-service to a point-of-experience.

The surge in e-commerce has propelled retailers to increase their online operations. Now, left with costly real estate, they must find new ways of utilizing their brick-and-mortar stores to drive engagement and sales. The key to unlocking the physical store's potential lies in utilizing experience design as an approach to drive engagement, increase foot traffic, and generate sales.

For more than 17 years, Juliana Neves, Leading Architect at Kube Arquitetura in Brazil, helps global brands and retailers design their retail experience. She advocates that retailers need to move away from traditional transactional retail, where the physical store as a point-of-service station that passively waits for customers. Instead, they should view it as a point-of-experience that actively seeks to create value through in-store branded experiences.

– Retailers with brick-and-mortar stores need to focus on creating meaningful connections with their customers. Customers want their senses activated, they want to be engaged, and they want to interact with a brand, which is why physical stores are still going to be very relevant. Retailers should replicate the process which dating apps use: you meet the person online, but the real connection is created when you meet the person offline, illustrates Neves.

In-store experiences drive foot traffic and sales

Based on extensive work within the retail industry and experience design, Juliana Neves has identified three pillars that form the future physical store: transparency, convenience, and experience. Delivering on these three elements with the intention will enable retailers to increase foot traffic and generate more sales.

1. Transparency

Being transparent with your customers could be by showing how a product was made, the type of materials used in the process. Ultimately, bringing the customer closer to the product and creating a connection.

– We worked with the footwear brand Outer. Shoes, and designed their in-store retail experience. A part of this involved using transparency as a key feature in a display of their flagship shoe. We presented every component of the shoe in a tangible way, which allowed the customer to touch different components. This helped Outer. increase sales of this particular shoe by 30%, explains Neves.



As part of Outer Shoes' brand purpose, they wanted showcase how their products are created, in a transparent way.



2. Convenience

Convenience for your customer involves offering service concepts that complement the main product, attracting them to the physical store. Successful retailers analyze their customers' needs and figure out how they can design a new service concept around this. Examples include specialized consulting, buy online, and pick up in the store, and store-within-a-store are examples of how you can increase convenience for your customer.



Nordstrom Local offers complementary services directed at their core customer. Ranging from tailoring, gift wrapping, shoe repairs, and much more.



3. Experience

Everything amounts to delivering an experience for the customer. The experience is where the connection is made and builds the customer's loyalty to a product or brand. Examples include teaching your customer how to get the most out of your product is one aspect, creating a hybrid online/online experience using augmented reality.



In their physical stores, Dyson teaches its customers how to use their products. Allowing their customers to enjoy the product to the fullest.



Continuing to stay relevant in the market

Using the three pillars that Neves identified is one aspect of drawing foot traffic, a core reason for using these pillars in a brick-and-mortar context is for retailers to increase their relevance in the market and deliver value to their customers.

“The current situation is that retailers reach their customers online, bring them into a store – a fixed setting – that is not changed very often. So, why should your customer come back to your store? The store should no longer be a fixed entity; it should change regularly.”

– Juliana Neves, Leading Architect at Kube Arquitetura

– The current situation is that retailers reach their customers online, bring them into a store – a fixed setting – that is not changed very often. So, why should your customer come back to your store? The store should no longer be a fixed entity; it should change regularly. This means rethinking your store layout and your assortment regularly, explains Neves.

Frequently changing the physical store demands footwear retailers to become more agile and flexible with their store fittings, which points back to rethinking the role of the physical store as less of a point-of-sales and more of a point-of-experience.

– To traditional brick-and-mortar retailers, this approach might seem extreme, but this is not a trend for big global brands only. This is a new direction that many small, medium, and large-sized retailers and brands apply to secure their relevance in the market, says Neves.

From a financial perspective, Neves points out that designing experiences does not have to be expensive. It can be integrated and accommodated to suit any retailers' size and budget. For Neves, it is more important that retailers somehow take the leap, even in smaller steps. As she continues:

– Footwear retailers could easily create an experience by placing small polaroid photos in the shoebox that illustrate looks that go well with the shoes. This helps educate your customer on how you also could be using the product whilst creating a physical experience with photos. Again, it is not difficult to design experiences that create a connection and are low on costs. It demands an agile and creative mindset.

About Juliana Neves

With over 17 years of retail design experience, Juliana Neves is specialized in delivering branded experiences that are driven towards creating connections and engaging people's emotions and senses. Juliana holds a master's degree in Design from Pontifical Catholic University of Rio de Janeiro (PUC-RJ). She is also a guest professor in retail design and branding at both PUC-RJ and IED Rio.

Juliana has worked with global brands, including Hugo Boss, YSL, Natura, AquaRio, Alfabeto, Outer. Shoes, and many more. She is the recipient of multiple awards for her work, including the A' Design Award and the Prix Versailles Award. In 2017, she published the book: *Sensory Architecture: The Art of Designing for All Senses*.



5 ways to start creating in-store experiences

Using the three pillars of transparency, convenience, and experience, Juliana Neves has developed five ways for footwear retailers to kick-start the process of transitioning from a point-of-service to a point-of-experience retailer.

1/ Educate your customer

With your employees' specialized knowledge, the easiest place to start is by increasing the level of education and knowledge that you are providing your customer with. By doing so, you are creating transparency for your customer.

2/ A flexible physical space

By using your existing store fittings, map out different ways that you can utilize it to present your products differently. Think outside the box and ask your customers for feedback. This exercise will cost you time, but not necessarily much money.

3/ The store atmosphere is vital

Understanding that the store atmosphere is a part of the experience is vital. Think about how your store appeals to each sense: smells, sounds, looks, etc. Be conscious about how you construct your store atmosphere and what you want your customers to feel when entering the store.

4/ Storytelling enables sales

A store that tells a story sells itself. You should start by taking your best-selling shoe and figure out how you can tangibly communicate its important attributes. Is it a video showing the process of it being made or showing an entirely different story?

5/ The store is a stage

Treat your store as a theater stage. You are the scenographer. Focus on how your storefront can make your customers' heads turn and what will bring them into your store? How can you provide the outside spectators with a snippet of an experience?



Next steps

There is no doubt that brick-and-mortar footwear retailers are increasingly under pressure to move away from traditional business models. Amplified by the pandemic, changing the physical retail store's functionality will be a top priority for footwear retailers.

As this white paper has demonstrated, physical retail is not dead. Through well-designed service concepts and in-store experiences, physical stores can become an important part of the customer journey by engaging customers – and in the process increasing foot traffic and generating sales.

Tapping into your customers' needs and converting these into service concepts will enable your physical stores to transition from a point-of-service to a point-of-experience. The ultimate transformation lies in continuously designing and delivering in-store experiences that create connections with their customers.

We are ready to help you

At IMBOX, we deliver a unique in-store service, which in less than a minute gives footwear an environmentally friendly and high-quality protection. If you want to learn more about how IMBOX can serve your store as a powerful in-store service concept, then reach out to us:

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About IMBOX

The IMBOX is an in-store footwear protection service helping retail stores significantly increase basket sizes. The IMBOX is designed to make footwear become water and dirt repellent, protect against stains, protect from damages, and color fading from UV rays. Most importantly, it is designed to prolong the lifetime of your customer's footwear.

The IMBOX is revolutionizing the market for footwear protection by offering a unique in-store service, which in less than a minute gives footwear a professional quality protection.

IMBOX is a plug-and-play service that allows you to dedicate yourself to your core business and at the same time increase sales with no effort, as no extra resources are needed. Your business gets a growth driver and a competitive advantage with the IMBOX in your stores.

